

## **FISCAL NOTE**

TO: Chief Clerk of the Senate  
Chief Clerk of the House

FROM: James A. Davenport, Executive Director

DATE: February 16, 1996

SUBJECT: **SB 2293 - HB 2394**

This bill, if enacted, will exempt from the sales and use tax any drug sold to or by a licensed veterinarian. The bill refers to the definition of drug found in TCA 44-6-103(8): *any article intended for use in the diagnosis, cure, mitigation, treatment, or prevention of disease in animals other than humans, and articles other than feed intended to affect the structure or function of any part of the animal body.*

The fiscal impact from enactment of this bill is estimated to be a decrease in state and local government sales tax revenue of approximately \$1,500,000 and \$500,000, respectively. It is estimated that some sales tax revenue will be foregone since it is not being collected currently due to veterinarians' interpretation of the law. Such amount cannot be determined but is estimated to exceed \$100,000 to both state and local governments.

This impact assumes:

- 1) Total estimated U.S. veterinary expenditures are \$9 billion annually;
- 2) Tennessee represents 2% of total national households; and
- 3) Expenditures for items included in the definition used by this bill represent 15% of total Tennessee expenditures.

The fiscal impact from enactment of this bill is also estimated to be a one-time increase in state and local government expenditures due to the retroactive nature of this bill. Such increase cannot be determined but is estimated to exceed \$100,000 in state expenditures and to be not significant in local government expenditures.

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is written in a cursive, flowing style.

James A. Davenport, Executive Director